

Annual Financial Statements

for

LEPHALALE LOCAL MUNICIPALITY

for the year ended 30 June: **2013**

Province:

Limpopo

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:

APPANA NAIDOO

Name of Chief Financial Officer:

CHARLES LEKAKA

Contact telephone number:

014 763 2193

Contact e-mail address:

CHARLES.LEKAKA@LEPHALALE.GOV.ZA

**Name of contact at provincial
treasury:**

Contact telephone number:

Contact e-mail address:

Name of relevant Auditor:

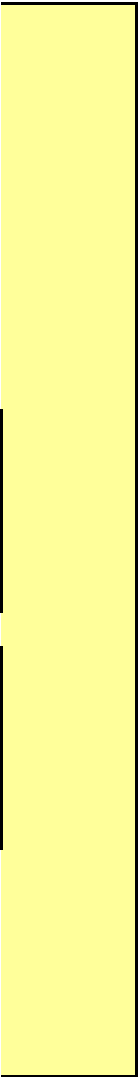
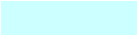
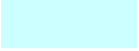
Contact telephone number:

Contact e-mail address:

**Name of contact at National
Treasury:**

Contact telephone number:

Contact e-mail address:



LEPHALALE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information

Members of the Council

JACK MAEKO
ROSINA BOLOKA
DANIE ESRAMUS
ASTRID BASSON

Mayor
Speaker
Member of the Executive Committee
Member of the Executive Committee

Municipal Manager

APPANA NAIDOO

Chief Financial Officer

CHARLES LEKAKA

Grading of Local Authority

B

Auditors

Auditor-General

Bankers

ABSA BANK

LEPHALALE LOCAL MUNICIPALITY
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for the year ended 30 June 2013

General information (continued)

Registered Office:	CIVIC CENTER ONVERWACHT
Physical address:	CORNER DOUWATER & JOE SLOVO STREET ONVERWACHT LEPHALALE 0557
Postal address:	PRIVATE BAG X136 ONVERWACHT LEPHALALE 0557
Telephone number:	014 763 2193
Fax number:	014 763 5662
E-mail address:	MUNIC@LEPHALALE.GOV.ZA

LEPHALALE LOCAL MUNICIPALITY
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for the year ended 30 June 2013



Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 53, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 35 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

DATE

LEPHALALE LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
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LEPHALALE LOCAL MUNICIPALITY			
STATEMENT OF FINANCIAL POSITION			
as at 30 June 2013			
	Note	2013 R	2012 R
ASSETS			
Current assets			
Cash and cash equivalents	1	118 083 212	117 796 735
Trade and other receivables from exchange transactions	2	78 815 201	56 693 975
Other receivables from non-exchange transactions	3	25 046 454	18 365 514
Inventories	5	1 607 309	1 648 051
Prepayments	6	13 000 698	11 733 912
VAT receivable	13	-	-
Other Debtors	6	-	-
Non-current assets			
Investments	7	15 870	12 334
Property, plant and equipment	8	1 058 045 981	976 068 753
Intangible assets	9	291 250	194 496
Heritage Assets		74 667	
Correction of error (illustrative purposes only)			
Total assets		1 294 980 642	1 182 513 770
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	11	36 039 160	36 180 767
Consumer deposits	12	8 520 321	7 378 004
Current provisions	14	2 492 543	2 200 572
VAT Payable	13	8 259 860	769 507
Current portion of unspent conditional grants and receipts	15	39 805 453	28 827 295
Current portion of Long Service Awards	16	2 831 176	2 615 663
Non-current liabilities			
Non-current borrowings	16	5 533 783	8 385 590
Defined benefit plan obligations	41	30 968 309	29 071 162
Total liabilities		134 450 604	115 428 560
Net assets		1 160 530 038	1 067 085 210
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		1 160 530 038	1 067 085 210
Total net assets		1 160 530 038	1 067 085 210

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LEPHALALE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2013

	Note	2013 R	2012 R RESTATED
Revenue			
Property rates	17	30 651 811	27 124 068
Service charges	18	154 343 055	146 233 262
Rental of facilities and equipment	19	133 853	913 325
Interest earned - external investments	20	6 596 624	8 982 105
Interest earned - outstanding receivables	21	4 647 337	5 710 837
Fines		159 062	90 281
Licences and permits		7 561 211	6 943 680
Government grants and subsidies	22	127 550 803	127 655 761
Public contributions and donations	27	4 700 308	1 257 394
Other income	23	2 270 291	4 057 652
Total revenue		338 614 354	328 968 365
Expenses			
Employee related costs	24	100 756 157	90 958 322
Remuneration of councillors	25	6 148 860	5 854 760
Bad debts		7 761 148	12 897 681
Collection costs		-	38 024
Depreciation and amortisation expense	26	56 022 364	53 573 811
Repairs and maintenance		11 923 549	14 496 322
Finance costs	27	12 524 935	4 546 806
Bulk purchases	28	86 738 156	77 003 006
Grants and subsidies paid	29	1 055 048	1 018 544
General expenses	30	53 414 030	48 475 746
Total expenses		336 344 247	308 863 023
Gain / (loss) on sale of assets	31	950 760	
Revaluation Surplus/(loss)	32	90 223 969	-
Surplus / (deficit) for the period		93 444 837	20 105 342

LEPHALALE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2013

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
Balance at 30 June 2011	-		-	1 009 035 934	1 009 035 934
Changes in accounting policy	-		-	-	-
Correction of prior period error				-	-
37	-	-	-	1 009 035 934	1 009 035 934
Restated balance					
Surplus / (deficit) on revaluation of property of property, plant and equipment				-	-
Other items				-	-
Other items				-	-
Net gains and losses not recognised in the statement of financial performance				-	-
Transfers to / from accumulated surplus/(deficit)	-	-	-		-
Surplus / (deficit) for the period				20 105 342	20 105 342
Balance at 30 June 2012	-	-	-	1 029 141 277	1 029 141 277
Correction of prior period error				37 943 933	37 943 933
49	-	-	-	1 067 085 209	1 067 085 209
Restated balance					
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Other items					-
Other items					-
Net gains and losses not recognised in the statement of financial performance	-		-		-
Transfers to / from accumulated surplus/(deficit)	-		-		-
Surplus / (deficit) for the period				93 444 837	93 444 837
Balance at 30 June 2013	-	-	-	1 160 530 046	1 160 530 046

LEPHALALE LOCAL MUNICIPALITY			
CASH FLOW STATEMENT			
as at 30 June 2013			
	Note	2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		320 879 376	294 263 211
Taxation		-	-
Sales of goods and services		163 855 208	153 292 884
Grants		135 602 819	118 627 001
Interest received		6 596 624	8 043 750
Other receipts		14 824 725	14 299 577
Payments		272 560 735	239 936 803
Employee costs		106 905 017	96 813 082
Suppliers		152 075 735	139 595 993
Interest paid		12 524 935	2 509 184
Other payments		1 055 048	1 018 544
Net cash flows from operating activities	34	48 318 641	54 326 408
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(45 402 185)	(70 675 717)
Proceeds from sale of fixed assets		-	-
Proceeds from sale of investments		-	-
Purchase of intangibles		-	-
Decrease/(Increase) in Loans and receivables		-	-
Net cash flows from investing activities		(45 402 185)	(70 675 717)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		(2 629 980)	(2 435 481)
Proceeds from finance lease liability		-	-
Repayment of finance lease liability		-	-
Net cash flows from financing activities		(2 629 980)	(2 435 481)
Net increase / (decrease) in net cash and cash equivalents		286 476	(18 784 791)
Net cash and cash equivalents at beginning of period		117 796 736	136 581 527
Net cash and cash equivalents at end of period	35	118 083 212	117 796 736

INFORMATION PURPOSES ONLY - DO NOT PRINT

Examples of operating activities

- a) cash receipts from taxes, levies and fines;
- (b) cash receipts from charges for goods and services provided by the entity;
- (c) cash receipts from grants or transfers and other appropriations or other budget authority from national government or other entities;
- (d) cash receipts from royalties, fees, commissions and other revenue;
- (e) cash payments to other entities to finance their operations (not including loans);
- (f) cash payments to suppliers for goods and services;
- (g) cash payments to and on behalf of employees;
- (h) cash receipts and cash payments of an insurance entity for premiums and claims, annuities and other policy benefits;
- (i) cash payments of local property taxes or income taxes (where appropriate) in relation to operating activities;
- (j) cash receipts and payments from contracts held for dealing or trading purposes;
- (k) cash receipts or payments from discontinuing operations; and
- (l) cash receipts or payments in relation to litigation settlements.

Examples of Investing Activities

- (a) cash payments to acquire property, plant and equipment, intangibles and other long-term assets. These payments include those relating to capitalised development costs and self-constructed plant and equipment;
- (b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;
- (c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments considered to be cash equivalents or those held for dealing or trading purposes);
- (d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments considered to be cash equivalents and those held for dealing or trading purposes);
- (e) cash advances and loans made to other parties (other than advances and loans made by a public financial institution);
- (f) cash receipts from the repayment of advances and loans made to other parties (other than repayments of advances and loans of a public financial institution);
- (g) cash payments for futures contracts, forward contracts, option contracts and swap contracts;
- (h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts.

Examples of Financing Activities

- a) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term borrowings;
- (b) cash repayments of amounts borrowed; and
- (c) cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease.

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LEPHALALE LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2013

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards have also been prescribed by the Minister of Finance in terms of

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 20 Impairment of non cash -generating assets - Effective date 1 July 2012

Impact on the municipality's financial statements once implemented:

GRAP 20 - Councillors and Board Members will be disclosed as related parties and normal supplier and /or client/recipient relationships at arm's length and within normal operating parameters will not have to be separately disclosed.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure	Years	Other	Years
Roads and Paving	15	Buildings	30
Pedestrian Malls	10	Specialist vehicles	15
Electricity	30	Other vehicles	8
Water	30	Office equipment	5
Sewerage	20	Furniture and fittings	8
Community		Bins and containers	8
Buildings	30	Specialised plant and equipment	15
Recreational Facilities	30	Other items of plant and equipment	15
Security	8		
Halls	30		
Libraries	30	Emergency equipment	
Parks and gardens	30	Computer equipment	8
Other assets	20		

The residual values and estimated useful lives have thus been implemented retrospectively in the current financial year. Assets have also been tested for impairment. residual values and remaining useful lives will be reviewed annually and implemented prospectively henceforth.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	5 -8YRS
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 HERITAGE ASSETS

4.1 INITIAL RECOGNITION

Heritage assets are assets that have a cultural, environmental, historical, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. A heritage asset that qualifies for recognition as an asset shall be measured at its cost or where it is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

4.2 SUBSEQUENT MEASUREMENT

After initial recognition a heritage asset shall be carried at its cost less impairment losses

4.3 DERECOGNITION

A heritage asset shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

5.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

6 INVENTORIES

6.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

7 FINANCIAL INSTRUMENTS

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other").

7.2.1 INVESTMENTS

Investments, which include fixed deposits and short-term deposits invested in registered commercial banks, are categorised as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. Amounts payable within 12 months are classified as current.

7.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

municipality has a detailed formal plan for the restructuring identifying at least:	(a) The
business or part of a business concerned;	- the
principal locations affected;	- the
location, function, and approximate number of employees who will be compensated for terminating their services	- the
- the expenditures that will be undertaken; and	- when
the plan will be implemented; and	

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

13 REVENUE

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on the previous three months' average consumptions.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

15 EMPLOYEE BENEFITS

15.1 Provision for employee benefits

Provision is made in the financial statements for all employee benefits

Liabilities for wages and salaries, including non-monetary benefits, bonuses and annual leave obliged to be settled within 12 months of the reporting date, are recognised in other payables or provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable

The liability for long service leave for which settlement can be deferred beyond 12 months from the reporting date is recognised in the non-current liability for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms of maturity and currency that match as close as possible, the estimated future cash outflow.

15.2 Pension and other post-retirement benefits provision for employee benefits

The municipality provides retirement benefits for its employees and councillors. The municipality has accounted for the defined contribution plan in terms of IAS 19 and GRAP 25 Employee benefits. A defined contribution plan is a pension plan under which the municipality pays fixed contributions into a separate entity,

For defined contribution plans, the municipality pays contributions on a mandatory, contractual or voluntary basis. The municipality has no further payment obligations once the contributions have been paid. Accordingly, the municipality recognises the contributions to the scheme as an expense when the employees and councillors have rendered the employment service or served office entitling them to contributions.

The municipality provides post-retirement medical benefits to qualifying retirees. They are recognised in accordance with IAS 19 and GRAP 25 on defined benefits plan.

The cost of providing health care is charged to the income statement so as to recognise current and past service cost on defined benefit obligations, and the effect of any curtailments, net of expected returns on plan assets. Actuarial gains and losses are recognised in full directly in the statement of financial performance. Additional benefits are expensed as past service cost in the period in which the benefit is granted to the extent that it is not covered by a surplus to contributions funded by the municipality. The municipality has no plan assets. A liability is consequently recognised in the statement of financial position based on the present value of the defined benefit obligations, less any unrecognised past service costs.

16 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of *a physical work proportion of the contract work*.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

17 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

18 EVENTS AFTER BALANCE SHEET DATE

Any material events that affects the activities of Municipality that the Municipality becomes aware of after the balance sheet date, but before the issue of the financial statements, will be disclosed as to the nature of the event and the impact of it to the current financial statements and future operations of the Municipality.

19 RELATED PARTY TRANSACTIONS

At the end of each financial year a circular is issued to all employees to disclose their business interest and declare if they have done business with the Municipality. All related party transactions are disclosed in notes 24 and 25 of the financial statements.

20 CONTRACTUAL COMMITMENTS

At the end of each financial year the Municipality determines the completion stage of each contract awarded and not completed. The difference between the contractual amount and what has been paid is disclosed as commitments in the notes to the annual financial statements.

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		16 750	16 750
Cash at bank		71 335 997	73 959 667
Call deposits		46 747 215	43 205 193
		<u>118 083 212</u>	<u>117 796 735</u>
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
ABSA Bank Limited - LEPHALALE Branch: Account Number 1470000038			
Cash book balance at beginning of year		<u>74 104 437</u>	<u>74 104 437</u>
Cash book balance at end of year		<u>71 319 247</u>	<u>74 104 437</u>
Bank statement balance at beginning of year		<u>81 212 101</u>	<u>80 624 161</u>
Bank statement balance at end of year		<u>81 212 101</u>	<u>81 212 101</u>
<u>Call Deposits Account</u>			
Cash book balance at beginning of year		<u>43 675 548</u>	<u>43 675 548</u>
Cash book balance at end of year		<u>46 747 215</u>	<u>43 675 548</u>
Bank statement balance at beginning of year		<u>-</u>	<u>-</u>
Bank statement balance at end of year		<u>-</u>	<u>-</u>
<u>Cash on hand</u>		<u>16 750</u>	<u>16 750</u>
Total cash and cash equivalents		<u>118 083 212</u>	<u>117 796 735</u>
Total bank overdraft		<u>-</u>	<u>-</u>
A portion of cash to the value of R28 million represents restricted cash as it serves as security for unspent conditional grants.			

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
		Provision for	
	Gross Balances	Doubtful Debts	Net Balance
	R	R	R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>			
as at 30 June 2013			
Service debtors			
Electricity	64 861 021	(20 857 951)	44 003 070
Water	28 832 353	(8 499 286)	20 333 067
Sewerage	14 798 917	(6 106 933)	8 691 984
Refuse	9 860 011	(4 072 930)	5 787 081
Total	118 352 301	(39 537 100)	78 815 201
<u>Rates and Taxes</u>	41 586 072	-16 539 618	25 046 454
<u>Other receivables</u>	41 586 072	(16 539 618)	25 046 454
Total Trade and other receivables	159 938 373	(56 076 718)	103 861 655
as at 30 June 2012			
Service debtors			
Electricity	51 620 267	(18 096 083)	33 524 184
Water	19 761 123	(7 874 595)	11 886 527
Sewerage	10 752 030	(3 407 902)	7 344 129
Refuse	7 347 472	(3 408 338)	3 939 134
Total	89 480 893	(32 786 918)	56 693 975
<u>Rates and Taxes</u>	34 349 264	(15 983 781)	18 365 514
<u>Other receivables</u>	34 349 264	(15 983 781)	18 365 514
Total Trade and other receivables	123 830 157	(48 770 699)	75 059 489
<u>Rates and Taxes: Ageing</u>			
Current (0 – 30 days)		2 178 411	2 372 351
31 - 60 Days		1 315 817	2 281 072
61 - 90 Days		1 185 302	1 089 892
91 - 120 Days		1 174 488	2 304 169
121 - 365 Days		35 732 054	26 409 241
+ 365 Days			
Total		41 586 072	34 456 726
<u>Electricity, Water and Sewerage: Ageing</u>			
Current (0 – 30 days)		30 766 442	33 141 289
31 - 60 Days		7 355 982	14 829 334
61 - 90 Days		4 991 985	3 831 011
91 - 120 Days		7 281 024	3 249 666
121 - 365 Days		67 956 867	34 429 584
+ 365 Days			
Total		118 352 300	89 480 883
<u>Summary of Debtors by Customer Classification</u>			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2013			
Current (0 – 30 days)	26 516 620	5 172 081	1 256 153
31 - 60 Days	6 773 880	1 285 757	612 163
61 - 90 Days	4 912 094	917 417	347 776
91 - 120 Days	7 190 882	899 220	365 411
121 - 365 Days	23 230 915	4 488 370	1 089 768
+ 365 Days	59 088 661	14 387 146	1 404 061
Sub-total	127 713 052	27 149 991	5 075 332
Less: Provision for doubtful debts			
Total debtors by customer classification	127 713 052	27 149 991	5 075 332
as at 30 June 2012			
Current (0 – 30 days)	28 037 984	5 408 964	2 217 045
31 - 60 Days	8 831 259	2 147 029	572 029
61 - 90 Days	4 204 971	893 087	462 031

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
91 - 120 Days	3 522 313	1 023 951	374 639
121 - 365 Days	3 008 585	834 181	330 892
+ 365 Days	38 975 206	13 641 888	3 729 386
Sub-total	86 580 318	23 949 100	7 686 022
Less: Provision for doubtful debts			
Total debtors by customer classification	86 580 318	23 949 100	7 686 022

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
2 Reconciliation of the doubtful debt provision			
Balance at beginning of the year		32 786 918	25 245 924
Contributions to provision		6 750 182	7 540 994
Doubtful debts written off against provision		-	-
Reversal of provision		-	-
Balance at end of year		39 537 100	32 786 918
<u>Trade and other receivables past due but not impaired</u>			
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2013, R 47 793 941 - (2012: R 52 774 399) were past due but not impaired.			
The ageing of amounts past due but not impaired is as follows:			
1 month past due -		32 944 854	29 886 144
2 months past due		8 671 800	10 317 427
3 months past due		6 177 287	4 511 907
<u>Trade and other receivables impaired</u>			
As of 30 June 2013, trade and other receivables of R41 586 072 - (2012: R34 456 726) were impaired and provided for.			
The amount of the provision was R16 539 618 - as of 30 June 2013 (2012: R 15 983 781).			
The ageing of these receivables is as follows:			
3 to 6 months		2 359 790	3 394 062
Over 6 months		35 732 054	26 409 421
The fair value of trade and other receivables approximates their carrying amounts.			
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Insurance claims		-	-
Rates and other taxes		25 046 454	18 365 514
Subsidies		-	-
Road reinstatements		-	-
Unauthorized expenditure (see Note 50.1)	Notes1-10\A686	-	-
Other debtors		-	-
Prepayments (if not material)		-	-
Total Other Debtors		25 046 454	18 365 514
4 OTHER CURRENT FINANCIAL ASSETS			
Other non-current financial assets		-	-
5 INVENTORIES			
Opening balance of inventories:		1 648 051	1 648 051
Consumable stores - at cost		455 531	455 531
Maintenance materials - at cost		512 073	512 073
Spare parts – at net realisable value		662 087	662 087
Other goods held for resale – at cost		-	-
Water		18 360	18 360
Additions:		6 206 941	6 524 311
Consumable stores		1 263 443	1 586 111
Maintenance materials		2 154 631	1 802 998
Spare parts		2 788 462	3 135 202
Other goods held for resale		-	-
Water		405	-
Issued (expensed):		6 247 682	6 977 521
Consumable stores		1 231 033	1 636 950
Maintenance materials		2 146 304	1 866 536
Spare parts		2 870 345	3 474 035
Other goods held for resale		-	-
Water		-	-

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net			
5.1 Replacement Cost (NRC):			
Consumable stores		-	-
Maintenance materials		-	-
Spare parts		-	-
Other goods held for resale		-	-
Water		-	-
Closing balance of inventories:		1 607 309	1 648 051
Consumable stores		487 941	455 531
Maintenance materials		520 400	512 073
Spare parts		580 204	662 087
Other goods held for resale		-	-
Water		18 765	18 360

6 PREPAYMENTS

Prepaid expenses	13 000 698	11 733 912
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An amount of R11.5M has been paid to Eskom as deposit for the supply of Electricity to the Municipality in the current year.

6.1 OTHER DEBTORS

Money Stolen	6 135 323	6 135 323
Provision	(6 135 323)	(6 135 323)
	-	-

During the financial year 2011/2012, the Municipality experienced theft of R9.5 million due to hacking of the bank account. The theft has been reported to police and also an external forensic company appointed to do investigations. As at the end of the financial year R6.1 million was still not recovered.

7 INVESTMENTS

Financial Instruments

Fixed Deposits	-	-
Listed Investments	15 870	12 334
Other Investments	-	-
	<u>15 870</u>	<u>12 334</u>
Pledged Investments		

Listed investments consists 345 shares in Sanlan. The shres are listed on the JSE and are valued at the closinfg market value as at 30/06/2013

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

8 PROPERTY, PLANT AND EQUIPMENT

8.1 Reconciliation of Carrying Value

	Land R	Buildings R	Infrastructure R	Community R	Other Assets R	Heritage R	Total R
as at 1 July 2012	75 130 193	(3 267 057)	848 711 866	24 739 370	30 948 877	-	976 263 249
Cost/Revaluation	75 130 193	5 140 936	1 038 985 329	33 473 327	56 767 949	-	1 209 497 733
Correction of error (note 48)							-
Change in accounting policy (note 47)							-
Accumulated depreciation and impairment losses	-	(8 407 993)	(190 273 463)	(8 733 957)	(25 819 072)	-	(233 234 485)
Acquisitions	59 127 343	31 344 178	31 653 652	5 242 824	8 182 157	77 000	135 550 154
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	(1 816 004)	(48 476 123)	(1 222 553)	(10 766 397)	(2 333)	(62 281 078)
Carrying value of disposals	-	-	-	-	(165 650)	-	(165 650)
Cost/Revaluation	-	-	-	-	(882 077)	-	(882 077)
Accumulated depreciation and impairment losses	-	-	-	-	716 427	-	716 427
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-
as at 30 June 2013	134 257 536	26 261 117	831 889 395	31 042 518	32 759 087	74 667	1 056 284 319
Cost/Revaluation	134 257 536	36 485 114	1 070 638 980	38 716 151	60 655 129	77 000	1 340 829 909
Accumulated depreciation and impairment losses	-	(10 223 997)	(238 749 585)	(7 673 633)	(27 896 042)	(2 333)	(284 545 591)

*Other movements consist of

Refer to Appendix B for more detail on property, plant and equipment

[App B'IA1](#)

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

8.2 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Other Assets	Heritage	Total
	R	R	R	R	R	R	R
as at 1 July 2011	69 365 070	2 842 062	804 983 084	18 193 509	20 109 474	-	915 493 198
Cost/Revaluation	74 884 249	5 140 936	938 605 729	26 285 892	41 886 450	-	1 086 803 255
Correction of error (note 48)							-
Change in accounting policy (note 47)							-
Accumulated depreciation and impairment losses	(5 519 179)	(2 298 874)	(133 622 645)	(8 092 383)	(21 776 976)	-	(171 310 058)
Acquisitions	245 944	-	100 379 599	7 187 435	14 881 498	-	122 694 476
Capital under Construction	-	-	-	-	-	-	-
Depreciation	(423 491)	(166 450)	(56 650 816)	(641 575)	(4 042 096)	-	(61 924 428)
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-
as at 30 June 2012	69 187 523	2 675 613	848 711 866	24 739 370	30 948 877	-	976 263 249
Cost/Revaluation	75 130 193	5 140 936	1 038 985 329	33 473 327	56 767 949	-	1 209 497 733
Accumulated depreciation and impairment losses	(5 942 670)	(2 465 323)	(190 273 463)	(8 733 957)	(25 819 072)	-	(233 234 485)

*Other movements consist of

Refer to Appendix B for more detail on property, plant and equipment [App B'IA1](#)

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R
8.3 Property, plant and equipment pledged as security		
There were no assets pledged as security during the current financial year		
8.4 Capitalised expenditure		
Asset 1		
Asset 2		
Asset 3		
		-
8.5 Compensation received for losses on property, plant and equipment – included in operating surplus		
		-
		-
8.6 Details of valuation		
<p>The effective date of the revaluations was x. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the entity.</p> <p>Land and buildings are re-valued independently every x years.</p> <p>The valuation was performed using the discounted cash flow approach (other, describe, e.g. recent arms length transaction), and the following assumptions were used:</p> <p>Discount rate</p> <p>Other</p> <p>Other</p> <p>These assumptions are based on current market conditions.</p> <p>The carrying value of the revalued assets under the cost model would have been:</p>		
Asset 1		
Asset 2		
Asset 3		
		-
8.7 Other information		
Carrying value of idle property, plant and equipment		
Fully depreciated property, plant and equipment still in use		
Property, plant and equipment retired from active use, but not classified as held for sale		
Fair value of property, plant and equipment carried at cost		
		-
8.8 Details of property		
Property X		
Terms and conditions		
Purchase price: date		
Additions since purchase		
Capitalised expenditure		
		-
Property Y		
Terms and conditions		
Purchase price: date		
Additions since purchase		
Capitalised expenditure		
		-

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
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9 INTANGIBLE AND HERITAGE ASSETS

9.1.1 Reconciliation of carrying value

as at 1 July 2012

Cost
Correction of error (note 48)
Change in accounting policy (note 47)
Accumulated amortisation and impairment losses

Acquisitions
Amortisation

Carrying value of disposals
Cost
Accumulated amortisation

Impairment loss/Reversal of impairment loss
Transfers
Other movements

as at 30 June 2013

Cost
Accumulated amortisation and impairment losses

Computer Software	Other*	Total
R	R	R
194 496	-	194 496
234 363	-	234 363
		-
		-
(39 867)	-	(39 867)
118 060	-	118 060
(21 306)	-	(21 306)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
291 250	-	291 250
352 423	-	352 423
(61 173)	-	(61 173)

*Note: "Other" consists of....., none of which are considered to be individually significant or material.

9.1.2 Reconciliation of carrying value

as at 1 July 2011

Cost
Correction of error (note 48)
Change in accounting policy (note 47)
Accumulated amortisation and impairment losses

Acquisitions
Amortisation

Carrying value of disposals
Cost
Accumulated amortisation

Impairment loss/Reversal of impairment loss
Transfers
Other movements

as at 30 June 2012

Cost
Accumulated amortisation and impairment losses

Computer Software	Other*	Total
R	R	R
-	-	-
-	-	-
		-
		-
-	-	-
234 363	-	234 363
(39 867)	-	(39 867)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
194 496	-	194 496
234 363	-	234 363
(39 867)	-	(39 867)

Software is recognised at cost less amortisation

9.1.3 Intangible assets with indefinite useful lives (disclose the following);

Carrying amount;
Reasons for supporting the assessment of the useful life as indefinite;
Description of the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
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9.2 HERITAGE ASSETS

Reconciliation of carrying value

as at 1 July 2012

Cost
Correction of error (note 48)
Change in accounting policy (note 47)
Accumulated amortisation and impairment losses

Computer Software R	Other* R	Total R
-	-	-
-	-	-
-	-	-
-	-	-

Acquisitions

Amortisation

Carrying value of disposals

Cost

Accumulated amortisation

Impairment loss/Reversal of impairment loss

Transfers

Other movements

as at 30 June 2013

Cost
Accumulated amortisation and impairment losses

77 000	-	77 000
(2 333)	-	(2 333)
0		
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
74 667	-	74 667
77 000	-	77 000
(2 333)	-	(2 333)

*Note: "Other" consists of....., none of which are considered to be individually significant or material.

Reconciliation of carrying value

as at 1 July 2011

Cost
Correction of error (note 48)
Change in accounting policy (note 47)
Accumulated amortisation and impairment losses

Computer Software R	Other* R	Total R
-	-	-
-	-	-
-	-	-
-	-	-

Acquisitions

Amortisation

Carrying value of disposals

Cost

Accumulated amortisation

Impairment loss/Reversal of impairment loss

Transfers

Other movements

as at 30 June 2012

Cost
Accumulated amortisation and impairment losses

-	-	-
-	-	-
-	-	-

Heritage Assets are recognised at cost less amortisation

Intangible assets with indefinite useful lives (disclose the following);

Carrying amount;
Reasons for supporting the assessment of the useful life as indefinite;
Description of the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
10 NON-CURRENT ASSETS HELD FOR SALE			
Property, plant and equipment		-	-
Investment property		-	-
Other assets		-	-
		<u>-</u>	<u>-</u>
<i>There were no Non Current Assets held for sale as at the end of the financial year</i>			
11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		9 507 674	11 464 259
Payments received in advance		8 407 834	5 864 023
Retentions		5 848 480	6 965 218
Staff leave accrual		8 052 614	7 710 220
Annual bonus		2 179 225	1 963 296
Accrued interest		-	-
Other creditors		2 043 334	2 213 751
Total creditors		<u>36 039 160</u>	<u>36 180 767</u>
The fair value of trade and other payables approximates their carrying amounts.			
12 CONSUMER DEPOSITS			
Electricity and Water		8 520 321	7 378 004
Accrued interest		-	-
Total consumer deposits		<u>8 520 321</u>	<u>7 378 004</u>
Guarantees held in lieu of Electricity and Water Deposits		<u>404 165</u>	<u>404 165</u>
13 VAT			
13.1 VAT receivable			
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		<u>-</u>	<u>-</u>
13.2 VAT Payable		<u>8 259 860</u>	<u>769 507</u>
		<u>8 259 860</u>	<u>769 507</u>

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
14 PROVISIONS			
Performance bonus		(0)	(0)
Current portion of long-service provision (see note 25)		2 492 543	2 200 572
Provision for leave		-	-
Other provisions		-	-
Total Provisions		2 492 543	2 200 572

Annual bonuses are paid one year in arrear as the employee complete a full year service. Annual bonuses accrue on monthly basis as the employee continues in employment.

The provision for the bonus is calculated using the basic salary of the employee as at year end and the number of months the bonus accrued since last bonus payment or from employment date for new employees.

[Notes15-61'A1](#)

The movement in current provisions are reconciled as follows: -

as at 1 July 2012

Contributions to provision
Expenditure incurred

as at 30 June 2013

Performance Bonus	Provision for leave
(0)	-
(0)	-
-	-
(0)	-

as at 1 July 2011

Contributions to provision
Expenditure incurred

as at 30 June 2012

(0)	-
-	-
-	-
(0)	-

as at 1 July 2012

Transfer from non-current
Contributions to provision
Expenditure incurred

as at 30 June 2013

Current portion Long-service	Other provisions
-	-
-	-
-	-
-	-
-	-

as at 1 July 2011

Transfer from non-current
Contributions to provision
Expenditure incurred

as at 30 June 2012

-	-
-	-
-	-
-	-
-	-

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Unspent Conditional Grants from other spheres of Government

MIG Grants
Municipal Systems Improvement Grant
Finance Management Grant
Department of Water Affairs
Department of Minerals and Energy
Extended Public Works Programme
Department of Local Government and Housing
LED Projects

37 351 408	19 424 518
-	-
-	-
-	-
-	-
(4 225 120)	81 295
1 239 090	1 006 014
1 207 776	859 581
28 318	28 318

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Waterberg District Municipality

15.2 Other Unspent Conditional Grants and Receipts

Other Unspent Conditional Grants include Electrification Grant, EPWP grant
There is also a grant from Exxaro for the upgrading of roads in Marapong Township

Total Unspent Conditional Grants and Receipts

Non-current unspent conditional grants and receipts

Current portion of unspent conditional grants and receipts

See Note 31 for reconciliation of grants and receipts. These amounts are invested
in ring-fenced investment until utilised.

Note	2013	2012
	R	R
	885 295	1 442 511
	3 318 685	5 985 057
	39 805 452	28 827 294
	-	-
	39 805 453	28 827 295

[Notes15-61\A291](#)

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
16 BORROWINGS			
Local Registered Stock Loans		-	-
Annuity Loans		8 364 958	11 001 253
Government Loans : Other		-	-
Other borrowings		-	-
		8 364 958	11 001 253
Less : Current portion transferred to current liabilities		(2 831 176)	(2 615 663)
Local Registered Stock Loans		-	-
Annuity Loans		(2 831 176)	(2 615 663)
Government Loans : Other		-	-
Other borrowings		-	-
Total borrowings		5 533 783	8 385 590

Refer to Appendix A for more detail on borrowings.

[App A!A1](#)

17 PROPERTY RATES

Actual

Residential	30 651 811	18 840 443
Commercial	-	2 755 240
Light Industries	-	-
Agricultural/Farms	-	4 338 464
Heavy Industries	-	395 250
State	-	794 671
Total property rates	30 651 811	27 124 068
Property rates - penalties imposed and collection charges	-	-
Total	30 651 811	27 124 068

Prior figures could not be split into different categories as the system was not configured to do the split

Valuations

Residential	2 781 940 903	2 789 939 387
Commercial	665 088 850	632 431 600
State	247 916 800	247 872 000
Sectional Title	601 472 516	501 615 815
Agriculture	8 104 198 387	8 113 986 908
Other	131 071 507	230 773 452
Exempted	25 850 000	25 850 000
Municipal	92 547 800	92 779 300
Total Property Valuations	12 650 086 763	12 635 248 462

Valuations on land and buildings are performed every four years by an independent qualified valuer. The last valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations.

A differential rate is applied property valuations to determine assessment rates. Rebates of R30 000 are granted to residential property owners. Rates are levied on an annual basis on property owners.

Rates are levied on an annual basis with the final date of payment being 30 June of the each financial year. Interest at 18% per annum (2012:18%) is levied on outstanding rates one month after final date for payment.

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
18 SERVICE CHARGES			
Sale of electricity		103 097 303	101 667 975
Sale of water		28 707 591	23 189 247
Refuse removal		6 916 577	6 500 430
Sewerage and sanitation charges		15 621 583	14 875 610
Total Service Charges		154 343 055	146 233 262
19 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		133 853	913 325
Rental of equipment		-	-
Other rentals		-	-
Total rentals		133 853	913 325
20 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		6 596 624	8 982 105
Financial assets			
Other			
Total interest		6 596 624	8 982 105
21 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Debtor 1			
Debtor 2			
Debtor 3			
Total interest		4 647 337	5 710 837
22 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		80 991 700	73 299 994
MIG Grant		25 630 110	41 357 302
DWA		1 855 000	6 762 144
EPWP		1 350 924	776 659
DME		4 306 415	459 064
MSIG		800 000	790 395
MFMG		1 500 000	1 300 111
LG SETA		597 107	301 246
WDM		5 315 119	2 440 370
PHP		-	90 628
DPLG		-	-
Other Government Grants and Subsidies		5 204 427	77 849
Total Government Grant and Subsidies		127 550 803	127 655 761
22.1 Equitable Share			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of 6kilolitres of water and 50KWH of electricity which is funded from the grant.			
22.2 MIG Grant			
Balance unspent at beginning of year		19 424 518	27 986 812
Current year receipts		43 557 000	32 795 008
Conditions met - transferred to revenue		(25 630 110)	(41 357 302)
	Notes15-61!A124	37 351 408	19 424 518

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
<p><i>There was a delay in the construction of the Mokurunyane MPCC and the Seleka Taxi Rank. The delay was due to the dispute between the community and the Traditional Leader in respect of the location where the projects should be built. The dispute has been resolved and the contracts are currently under construction.</i></p>			
22.3 Municipal Finance Management Grant			
Balance unspent at beginning of year		(0)	50 111
Current year receipts		1 500 000	1 250 000
Conditions met - transferred to revenue		(1 500 000)	(1 300 111)
Conditions still to be met - remain liabilities (see note 21)	Notes15-61\A124	<u>(0)</u>	<u>(0)</u>
<p><i>The under expenditure is due to one of the Intern resigning during the year and the time taken to appoint a new intern and this is savings related to the employment cost. An appointment has been done and the money should be spend .</i></p>			
22.4 Municipal Systems Improvement Grant			
Balance unspent at beginning of year		-	395
Current year receipts		800 000	790 000
Conditions met - transferred to revenue		(800 000)	(790 395)
Conditions still to be met - remain liabilities (see note 21)	Notes15-61\A124	<u>-</u>	<u>-</u>
22.5 Department of Water Affairs			
Balance unspent at beginning of year		(0)	(3 150 000)
Current year receipts		1 855 000	6 215 000
Conditions met - transferred to revenue		(1 855 000)	(3 065 000)
Conditions still to be met - remain liabilities (see note 21)	Notes15-61\A124	<u>(0)</u>	<u>(0)</u>
22.6 Department of Mineral and Energy			
Balance unspent at beginning of year		81 295	540 359
Current year receipts		-	-
Conditions met - transferred to revenue		(4 306 415)	(459 064)
Conditions still to be met - remain liabilities (see note 21)	Notes15-61\A124	<u>(4 225 120)</u>	<u>81 295</u>
<p><i>The under expenditure was due to the delay on the contractor as a results of rainy season in december which affected the timing of the completion of the contract. The contract is on schedule to be completed as be the revised schedule</i></p>			
22.7 Department of Local government and Housing			
Balance unspent at beginning of year		1 094 315	1 094 315
Current year receipts		-	-
Conditions met - transferred to revenue		(209 020)	-
Conditions still to be met - remain liabilities (see note 21)	Notes15-61\A124	<u>885 295</u>	<u>1 094 315</u>
<p><i>There was a delay in the appointment of service providers for the Master Plans. The Departments will be encouraged to speed up the process</i></p>			
22.8 Changes in levels of government grants			
<p>Based on the allocations set out in the Division of Revenue Act, (Act 33081 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.</p>			

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R		
23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS					
23.1 Other income					
Other income		2 270 291	4 057 652		
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50)	Notes15-61\A684	-	-		
Total Other Income		2 270 291	4 057 652		
23.2 Public contributions and donations					
Public contributions - Conditional					
Public contributions - Unconditional		4 700 308	1 257 394		
Donations		-	-		
Total public contributions and donations		4 700 308	1 257 394		
Reconciliation of conditional contributions					
Balance unspent at beginning of year					
Current year receipts					
Conditions met - transferred to revenue					
Conditions still to be met - remain liabilities (see note 21)	Notes15-61\A124	-	-		
24 EMPLOYEE RELATED COSTS					
		106 905 017	96 813 082		
Employee related costs - Salaries and Wages		56 831 333	50 306 925		
Employee related costs - Contributions for UIF, pensions and medical aids		16 657 154	13 938 457		
Travel, motor car, accommodation, subsistence and other allowances		10 478 218	10 594 231		
Housing benefits and allowances		214 384	209 639		
Overtime payments		8 645 156	6 849 755		
Performance and other bonuses		4 623 068	4 083 808		
Long-service awards		-	-		
Other employee related costs		3 306 844	4 975 507		
Employee Related Costs		100 756 157	90 958 322		
There were no advances to employees / Loans to employees are set out in note 3.					
Remuneration of the Municipal Manager					
Annual Remuneration		777 000	740 000		
Performance- and other bonuses		-	-		
Travel, motor car, accommodation, subsistence and other allowances		114 335	107 262		
Contributions to UIF, Medical and Pension Funds		211 165	202 738		
Total		1 102 500	1 050 000		
Remuneration of the Chief Finance Officer					
Annual Remuneration		648 725	617 834		
Performance- and other bonuses		54 060	51 486		
Travel, motor car, accommodation, subsistence and other allowances		43 954	29 312		
Contributions to UIF, Medical and Pension Funds		180 011	183 988		
Total		926 750	882 620		
Remuneration of Individual Executive Directors					
	Infrastructure Manager	Strategic Manager	Development & Planning	Corporate Services	Community Services
	R	R	R	R	R
2013					
Annual Remuneration	543 960	750 554	556 051	577 680	599 400
Performance- and other bonuses	45 330	-	46 338	48 140	49 950
Travel, motor car, accommodation, subsistence and other allowances	118 805	32 738	161 564	73 571	197 335
Contributions to UIF, Medical and Pension Funds	151 905	14 708	162 799	175 873	152 315

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

[illegible]

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
25 REMUNERATION OF COUNCILLORS			
Mayor		645 549	611 895
Chief Whip		484 162	458 921
Speaker		516 439	489 516
Executive Committee Members(full Time)		484 162	458 921
Executive Committee Members(part Time)		532 578	504 814
Councillors		3 485 970	3 330 693
Councillors' pension and medical aid contributions		-	-
Councillors' allowances		-	-
Total Councillors' Remuneration		6 148 860	5 854 760
In-kind Benefits			
The Mayor, Speaker, Chief Whip and One Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor has use of Council owned vehicle for official duties and has a driver.			
26 DEPRECIATION AND AMORTISATION EXPENSE			
Property, plant and equipment		56 022 364	53 544 515
Intangible assets		-	29 295
Investment property carried at cost		-	-
Biological assets carried at cost		-	-
Total Depreciation and Amortisation		56 022 364	53 573 811
27 FINANCE COSTS			
Borrowings		12 524 935	4 546 806
Consumer deposits		-	-
Bank overdrafts		-	-
Total Finance Costs		12 524 935	4 546 806
28 BULK PURCHASES			
Electricity		77 879 790	66 596 816
Water		8 858 366	10 406 190
Total Bulk Purchases		86 738 156	77 003 006
29 GRANTS AND SUBSIDIES PAID			
Grant/subsidy to Non profit Organisations		1 055 048	1 018 544
		1 055 048	1 018 544

The Municipality is paying grants to the SPCA and the Mogol Sports Complex to subsidise these organisation to help the community.

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
30 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		944 282	959 180
Admin fees		-	-
Audit fees		2 050 748	2 142 849
Bank charges		610 946	492 970
Bursaries		-	-
Cleaning		96 129	-
Conferences and delegations		85 286	109 438
Connection charges		50 011	72 760
Consulting fees		652 373	1 134 050
Consumables		-	-
Debt collection commission		-	-
Departmental consumption		-	-
Entertainment		489 323	420 991
Financial management grant		-	-
Fuel and oil		3 007 456	3 311 629
Insurance		452 962	240 056
Legal expenses		4 631 062	1 658 263
Levies paid		754 240	654 024
Licence fees - vehicles		-	-
Licence fees - computers		-	-
Membership fees		-	-
Parking		-	-
Postage		404 058	354 195
Printing and stationery		1 407 713	1 307 912
Professional fees		-	-
Rental of buildings		-	-
Rental of office equipment		870 735	975 958
Rental of computer equipment		-	-
Other rentals		-	-
Security costs		2 119 310	1 685 300
Sewerage treatment costs		-	-
Skills development levies		705 844	711 500
Stocks and material		897 282	835 348
Subscription & publication		28 091	119 935
Telephone cost		1 004 472	1 061 076
Training		3 041 710	1 740 704
Transport claims		-	-
Travel and subsistence		4 800 728	3 879 602
Uniforms & overalls		-	-
Valuation costs		967 195	516 175
Water and Sanitation		-	-
Other		23 342 073	24 091 829
		53 414 030	48 475 746
31 GAIN / (LOSS) ON SALE OF ASSETS			
Property, plant and equipment		950 760	-
Intangible assets		-	-
Investment property		-	-
Biological assets		-	-
Other financial assets		-	-
Total Gain / (Loss) on Sale of Assets		950 760	-

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
32 REVALUATION SURPLUS/(LOSS)			
Property, plant and equipment		90 223 969	-
Intangible assets		-	-
N/A			
Investment property		-	-
N/A			
Biological assets		-	-
N/A			
Other financial assets		-	-
N/A			
Total		90 223 969	-
Sensitivity of key assumptions			

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
33 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT			
Investment property carried at fair value		-	-
Biological assets carried at fair value		-	-
Other financial assets		-	-
Other financial liabilities		-	-
Total Profit / (Loss) on Fair Value Adjustment		-	-
34 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		93 444 837	20 105 342
Adjustment for:-			
Depreciation and amortisation		56 022 364	53 573 811
Contribution to provisions - non-current		(0)	(0)
Contribution to provisions - current		7 761 148	12 897 681
Finance costs		-	-
Fair value adjustments		1 280 975	(10 146 136)
Impairment loss / (reversal of impairment loss)		(90 223 969)	-
Other non-cash item			(4 677 723)
Operating surplus before working capital changes:		68 285 354	71 752 975
(Increase)/decrease in inventories		40 742	(2 582 335)
(Increase)/decrease in trade receivables		-	(346 369)
(Increase)/decrease in other receivables		(22 121 226)	(31 592 968)
(Increase)/decrease in VAT receivable		-	3 135 578
Increase/(decrease) in conditional grants and receipts		10 978 159	7 243 072
Increase/(decrease) in trade payables		(141 607)	(5 072 644)
Increase/(decrease) in consumer deposits		1 142 317	-
Increase/(decrease) in VAT payable		-	-
Other asset		-	-
Other liability		-	-
Cash generated by/(utilised in) operations		58 183 738	42 537 309
35 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		118 083 212	117 796 735
Bank overdrafts		-	-
Net cash and cash equivalents (net of bank overdrafts)		118 083 212	117 796 735
36 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
Long-term liabilities (see Note 22)		8 364 959	11 001 253
Used to finance property, plant and equipment – at cost	Notes15-61\IA135	8 364 959	11 001 253
Sub- total			
Cash set aside for the repayment of long-term liabilities			
Cash invested for repayment of long-term liabilities			
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.			

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
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37 CORRECTION OF ERROR

During the year ended 30 June 2012 and previous years, The Municipality obtain actuarial valuation for long service award using only the basic salary in state of the total package. The valuation was using the total package on the 30th June 2013 with retrospective to 30 June 2012

The comparative amount has been restated as follows:

Prior Year Liability		
Service Cost		1 060 190
Interest Cost		532 216
Benefits vesting		(686 866)
Actuarial Profit/Loss		549 571
Net effect on surplus/(deficit) for the year	-	1 455 111

PPE
VAT receivable not previously recognised
Non current receivables incorrectly recognised (Investing Act)
Accruals were understated due to lack of year-end accrual
Staff leave accrual
Net effect on Statement of Financial Position

-	-
-	-

Net effect on Accumulated surplus opening balance

-	-
---	---

DEVIATIONS FROM NORMAL SUPPLY CHAIN POLICY OF THE MUNICIPALITY

Deviations approved by the Accounting Officer

-	
2 574 549	1 887 624
2 574 549	1 887 624

The deviations are approved by the Accounting Officer as per the SCM policy and most of the deviations are for repairs and maintenance purposes or for emergency purposes

38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

38.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	1 040 250	-
Unauthorised expenditure current year	(1 040 250)	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	-	-

The employee procured goods not following proper SCM procedures and the other one stole money. The disciplinary procedures were concluded during the 2010/2011 financial year

38.2 Fruitless and wasteful expenditure

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	1 385 268	1 218 202
Fruitless and wasteful expenditure current year	(5 500)	167 066
Condoned or written off by Council		
To be recovered – contingent asset (see note 55)		
Fruitless and wasteful expenditure awaiting condonement	1 379 768	1 385 268

[Notes15-61\IA883](#)

The Municipality appointed a company by name of DZWA to build RDP toilet and the company did not complete the job although there were money paid. The case is still pending. An employee was charged with wasteful and fraudulent expenditure for colluding with the supplier for paying services not fully rendered. The disciplinary was concluded in September 2010 and the employee was ordered to repay the cost with interest..

The Municipality appointed MJ Moraka trading and Project for the supply and delivery of water meters. Around February 2009 one of the employees of the Municipality signed a session to DPI Plastics Pty Ltd for the payment of R515 000.00 on behalf of MJ Moraka Trading and Projects although the employee did not have the necessary delegated powers. The session was never taken into account when MJ Moraka was paid for the services rendered and MJ Moraka was paid the full amount. In December 2011 DPI Plastic summoned municipality claiming the amount of R167 066.72. Council settled the amount based on the fraudulent session signed by the employee and disciplinary action has been instituted against the employee which has not yet been finalised. MJ Moraka also proposed month a monthly payment of R1500.00

38.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	53 931 629	39 366 632
Fruitless and wasteful expenditure current year	131 900	14 564 997
Condoned or written off by Council	(54 063 529)	-
Transfer to receivables for recovery – not condoned		
Irregular expenditure awaiting condonement	-	53 931 629

The municipality adopted SCM policy in 2008. The policy allowed for procurement of goods and services below R30 000 with only one quotation. Therefore the Municipality did not comply with the Supply Chain Regulations for purchases done in the prior year and for the first 6 months of the current year. The policy has since been reviewed to be in line with the SCM regulations and was adopted by Council.

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
39 MANAGEMENT ACT			
39.1 Contributions to organised local government			
Opening balance			
Council subscriptions		754 240	1 101 082
Amount paid - current		(754 240)	(1 101 082)
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
39.2 Audit fees			
Opening balance			
Current year audit fee		2 050 748	2 072 580
Amount paid - current year		(2 050 748)	(2 072 580)
Amount paid - previous years			
Balance unpaid (included in payables)		(0)	0
39.3 VAT			
VAT input receivables and VAT output payables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.			
39.4 PAYE and UIF			
Opening balance			
Current year payroll deductions		13 924 480	13 507 579
Amount paid - current year		(13 924 480)	(13 507 579)
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
39.5 Pension and Medical Aid Deductions			
Opening balance			
Current year payroll deductions and Council Contributions		24 074 777	21 160 919
Amount paid - current year		(24 074 777)	(21 160 919)
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
39.6 Councillor's arrear consumer accounts			
There were no Councillors with arrear accounts outstanding for more than 90 days as at: 30 June 2011			
	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
as at 30 June 2013			
Councillor xx	-	-	-
Councillor xx	-		
Councillor xx	-		
Total Councillor Arrear Consumer Accounts	-	-	-
as at 30 June 2012			
Councillor xx	-	-	-
Councillor xx	-		
Councillor xx	-		
Total Councillor Arrear Consumer Accounts	-	-	-

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

During the year there were no Councillors with arrear accounts outstanding for more than 90 days.

as at 30 June 2013

Councillor xx
Councillor xx

as at 30 June 2012

Councillor xx
Councillor xx

Note	2013	2012
	R	R
	Highest Amount Outstanding	Ageing Days
	R	
		x days
		x days
		x days
		x days

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
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39.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has developed a supply chain management policy

40 CAPITAL COMMITMENTS

40.1 Commitments in respect of capital expenditure

- Approved and contracted for

Infrastructure
Community
Heritage
Other

	38 557 008	21 024 066
Infrastructure	37 351 408	20 114 630
Community	-	-
Heritage	-	-
Other	1 205 600	909 436

- Approved but not yet contracted for

Infrastructure
Community
Heritage
Other

	1 250 000	11 850 000
Infrastructure	-	2 900 000
Community	-	-
Heritage	-	-
Other	1 250 000	8 950 000

Total

	39 807 008	32 874 066
--	-------------------	-------------------

This expenditure will be financed from:

- External Loans
- Government Grants
- Own resources
- District Council Grants

- External Loans	37 351 408	17 057 531
- Government Grants	2 450 600	15 816 534
- Own resources	-	-
- District Council Grants	39 802 008	32 874 065

40.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year
In the second to fifth year inclusive
After five years

Total

Within one year	354 684	362 388
In the second to fifth year inclusive	147 785	513 383
After five years	-	-
Total	502 469	875 771

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for photocopiers and faxing machines. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No smoothing of rentals was done as the lease payment is fixed for the period of the lease.

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
41 RETIREMENT BENEFIT INFORMATION			
41.1 Defined contribution plan			
All pension fund contributions are defined contributions plan and have been expensed and included in the employee cost for the year .			
41.2 Defined benefit plan			
Provision for post Retirement Benefits		28 099 562	26 626 942
POST RETIREMENT MEDICAL AID BENEFIT			
The employees have the option to belong to a Medical Aid. The Municipality has taken a decision to to continue to contribute to medical aid of employees after retirement untill their death. Non medical; members employees retiring will receive R1 000.00 a month as a contribution to their health			
The accumulated defined benefit obligation in respect of the post retirement medical contribution are provided, based on calculations of independent actuaries, using methods and assumptions consistent with IAS as follows:			
Liability as at 1 July		26 626 942	21 404 158
Benefits paid		-682 044	-593 232
Current service Costs		1 826 842	1 603 449
Interest		2 126 729	1 841 353
acturial losses recognised in Statement of Financial performance		-1 798 907	2 371 214
Principal actuarial assumptions of valuation model used.			
Discount rate		9.14%	8.09%
Health care cost inflation rate		7.90%	7.03%
Average retirement age: 65 for male and 55 for female			
41.2 NON CURRENT PROVISIONS		5 361 290	4 644 792
The accumulated defined benefit obligation in respect of long service awards are provided, based on calculations of independent actuaries, using methods and assumptions consistent with IAS as follows:			
Liability as at 1 July		4 644 792.00	3 731 546.00
Benefits paid		-214 253.00	-505 434.00
Current service Costs		665 701.00	597 123.00
Interest		298 472.00	271 986.00
acturial losses/(gains) recognised in Statement of Financial performance		-33 422.00	549 571.00
Principal actuarial assumptions of valuation model used.			
Discount rate		7.45%	6.58%
General salary Inflation		6.85%	5.96%
42 CONTINGENT LIABILITY			
42.1 J&C CONSULTANTS		-	
J& C Consultant - The company is suing the Municipality for an amount of R260 051.10 for the work they claim they have done to the Municipality. The Municipality is defending the case. The matter is currently in court and we are on the pleading stage. The only director of the company passed away and awaiting further instructions from executors			

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

42.2 HWE RENKEN

Mr Renken is suing the Municipality for R260 000 for wrongful arrest after he was stopped and charged by the Municipality's traffic officer in 2009. The matter has been set down for hearing on 24 April 2012. The Council has since proposed settlement of R50 000. The settlement was accepted and the municipality has settled. The matter is closed

42.3 K P PAUL AND E PAUL

K P Paul and E Paul are suing the Municipality for damages of R 228 000. They claim they suffered loss due to the Municipality not supplying them with electricity in time. The fact is that the time they wanted the supply the municipality could not supply them with electricity due to infrastructure capacity constraints. The matter is set for hearing on 24 April 2012. The matter has been postponed indefinitely to allow the Attorneys of Council to amend its plea as new facts arose after the plea was filed.

Note	2013	2012
	R	R
	50 000	50 000

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LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
42.4 EAST VIEW TRADING (PTY) LTD			
<p>Eastview Trading (Pty) Ltd/ Steenbok Development Consortium - The group has taken the Municipality, District Municipality and the MEC for local government to court to force the the municipality to change its spatial development framework. The parties have agreed that the court proceedings will pend until Council has completed the process of reviewing the Council's SDF. The company has withdrawn and the case is closed.</p>			
42.5 NIGHTFIRE INVESTMENTS			
<p>Night Fire Investments- The company is suing the municipality for R870 000 for the land that Night Fire purchased in 2005 without following the correct procedures. The Municipality is defending the case. The matter was set down for hearing for the 21st April 2012 and was postponed sine die. The matter was set down for hearing on 03 May 2013 and Nightfire wuthdraw the action and tendered to contribute to legal fees incurred by council of R43 907.50. The matter is closed.</p>			
42.6 MR J H VAN DEN BERG			
<p>Mr JH Van Den Berg is a former Council employee who has been dismissed and is refusing to move out of the Council's house. The municipality has applied to the court to get eviction order. The matter has been in court and the magistrate reserved judgement. The former employee has been evicted and the matter is resolved</p>			
42.7 FANIE MODIMOLA & WELHEMINA MODISE			
<p>Council received summons around May 2013 whereby plaintiffs were suing Council and Councillor Motlokoa for alleged defamation jointly and severally. Council had twenty days to lodge its intention to defend but plaintiffs' attorneys lodged its application for default judgement within ten days and later applied for warrant of execution. Council applied for an urgent court interdict to stop the execution and the rescission of the judgement. The interdict for the execution was granted and the application for the rescission of the judgement was postponed to 29 August 2013</p>			
42.8 MOKGOTHO CONSTRUCTION			
<p>Dispute by Mokgotho Construction in the awarding of the tender by Municipality to Kenglori Construction. Mokgothop is claiming that the contract should have been awarded to Mokgotho Construction, are suing the Council for the amount of R208 442.21. The matter has been postponed sine die.</p>			
42.9 MM MOLOTO PROPERTIES			
<p>MM Moloto Properties was appointed by council for the construction of the storeroom and ablution facilities at Witpoort. The contractor submitted claim for the work not within the scope of appointment and council refused to pay. The contractor took council to court claiming approximately R160 000.00 for work done. The matter has been set down for hearing on 28 February 2014.</p>			
42.10 RHINE VHANE CIVILCONSTRUCTION CC & JOHAN FERDINARD BARNARD			

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
<p>The municipality sold stands in Extension 50 for R1.00 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not proceed with the sale. One of the purchaser Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.</p> <p>Rine Vhane Civil Construction and Johan as one of the purchasers which developed in the area are claiming R6 172 518.00 as unjust enrichment. The matter is at pleading stage</p>			
<p>*42.11 JOHAN FERDINARD BARNARD</p>			
<p>The municipality sold stands in Extension 50 for R1.00 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not proceed with the sale. One of the purchaser Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.</p> <p>Johan Ferdinand Barnard as one of the purchasers which developed in the area are claiming R2 600 000 as unjust enrichment. The matter is at pleading stage</p>			

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
*42.12 EDWARD JAMES DANIEL DEVILLIERS		
<p>The municipality sold stands in Extension 50 for R1.00 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not proceed with the sale. One of the purchaser Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.</p> <p>Edward James Daniel Devilliers as one of the purchasers which developed in the area are claiming R2 774 200 as unjust enrichment. The matter is at pleading stage.</p>		
*42.12 BLUE HORIZON		
<p>Around 2008 the municipality entered into a service level agreement with Blue Horizon Investments whereby the municipality undertook to provide bulk services to extension 97 whereby Blue Horizon was the owner/developer of the said extension. In exchange for the services, Blue horizon was to contribute about R9 800 00 towards bulk, which to date they have failed to pay. despite demand by the municipality, Blue Horizon has failed/refused to pay. Council appointed an attorney to claim the money on its behalf. The matter is at pleading stage</p>		
*42.13 CHRISTIAAN LOURENS ERASMUS		
<p>The municipality sold stands in Extension 50 for R1.00 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not proceed with the sale. One of the purchaser Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.</p> <p>Christiaan Lourens Erasmus as one of the purchasers which developed in the area are claiming R19 808 774 as unjust enrichment. The matter is at pleading stage</p>		
43 CONTINGENT ASSET		
44 IN-KIND DONATIONS AND ASSISTANCE		
<p>There were no donation in kinds received by the Municipality</p> <p><u>Description</u></p>		
45 RELATED PARTIES		

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
Related party transaction that the municipality entered into are disclosed in note 24 and 25 which relates to the Senior managers and Councillors remuneration.			
The municipality does not have a joint venture or an entity under its control			
The Municipality did not do any business with key management staff and their immediate family during the current year.			
Related party balances			
Loan accounts - Owing (to) by related parties <i>insert related party</i>			
Amounts included in Trade receivable (Trade payable) regarding related parties <i>insert related party</i>			
Related party transactions			
Interest paid to (received from) related parties <i>insert related party</i>			
Loans to (from) related parties <i>insert related party</i>			
Purchases from (sales to) related parties <i>insert related party</i>			

46 EVENTS AFTER THE REPORTING DATE

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
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47 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Fair value of plan assets
Provision for doubtful debts
Impairment of assets
Provision for long-term service award
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

48 RISK MANAGEMENT

48.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Bank - ABSA	123 689 738	118 587 250
Bank B		
Interest rate swaps		
Financial guarantees	630 400	630 400
Trade and other receivables	103 861 655	99 264 100

These balances represent the maximum exposure to credit risk.

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

	Note	2013 R	2012 R
48.2 Liquidity risk			
<p>The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.</p> <p>Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.</p> <p>The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.</p>			
2014			
Gross finance lease obligations		-	-
Borrowings		-	260 775
Trade and other payables		44 299 020	28 322 691
Other			
2015			
Gross finance lease obligations			
Borrowings		1 990 349	3 760 751
Trade and other payables			
Other			
2016			
Gross finance lease obligations			
Borrowings		1 405 055	1 877 161
Trade and other payables			
Other			
2024			
Gross finance lease obligations			
Borrowings		4 469 553	5 269 191
Trade and other payables			
Other			
48.3 Interest rate risk			
<p>The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.</p> <p>Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments. All the municipality borrowings are of a fixed interest rate with the Development Bank Of South Africa.</p> <p>At year end, financial instruments exposed to interest rate risk were as follows:</p>			
- Call deposits		46 747 215.27	43 675 548.46
- Notice deposits		0.00	0.00
- Long term annuity			
- Development Bank of South Africa loan		8 364 958.00	11 001 253.00
- ABSA overdraft		0.00	0.00
48.4 Other price risk			

LEPHALALE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2013

Note	2013 R	2012 R
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49 PRIOR YEAR ADJUSTMENTS

During the year the municipality implemented the identification of residual values, the review of the lifespans and impairment testing on Property, Plant and Equipment. The changes have been implemented retrospectively. Any future changes due to annual reviews will be implemented prospectively in terms of the requirements of change in accounting estimates. The comparative amounts for for 2012 have been restated.

The effect of 2011 and 2012 balances are as follows

	Corrected Amount	Adjustment	Previous
Property plant and Equipment - Cost	1 209 497 734	52 018 762	1 157 478 972
Property plant and Equipment - Accumulated Depreciation	233 234 486	14 074 829	219 159 657
Property plant and Equipment - Impairment	-	-	-
Accumulated Surplus	976 263 248	37 943 933	938 319 315

Statement of Financial Performance 2012

Bank

Total Adjustment

50 COMPARISON WITH THE BUDGET

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

LEPHALALE LOCAL MUNICIPALITY

**APPENDIX A
SCHEDULE OF EXTERNAL LOANS**

as at 30 June 2013

EXTERNAL LOANS			Balance at 30 June 2012	Received during the period	Redeemed / written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
INCA @ x12.06%	1	30/06/2014	3 760 751	-	1 770 402	1 990 349		
INCA @10.09%	2	31/12/2014	1 877 161	-	472 105	1 405 055		
DBSA @ 17.06%	LALF15	31/06/2011	-	-	-	-		
DBSA @ 8.83%	LALF15	31/06/2024	5 269 191	-	299 637	4 969 553		
DBSA @ 17.14%	LALF19	31/06/2013	94 151	-	94 151	0		
						-		
Total long-term loans			11 001 253	-	2 636 295	8 364 958		
ANNUITY LOAN								
Sanlam @ x%								
			-	-	-	-		
GOVERNMENT LOANS								
- Other @ x%								
Total Government Loans			-	-	-	-		
TOTAL EXTERNAL LOANS			11 001 253	-	2 636 295	8 364 958		

LEPHALALE LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	75 130 193	59 127 343	-	-	134 257 536	-	-	-	-	-	-	-	134 257 536
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	75 130 193	59 127 343	-	-	134 257 536	-	-	-	-	-	-	-	134 257 536
Buildings	5 140 936	31 344 178	-	-	36 485 114	(8 407 993)	(1 816 004)	-	-	(10 223 997)	-	-	26 261 117
Infrastructure													
Drains	6 761 765	-	-	-	6 761 765	(1 352 475)	(338 088)	-	-	(1 690 563)	-	-	5 071 202
Roads	398 755 094	4 505 292	-	-	403 260 386	(74 109 074)	(18 526 527)	-	-	(92 635 601)	-	-	310 624 785
Roads :Culvert	68 294	-	-	-	68 294	(13 638)	(3 414)	-	-	(17 052)	-	-	51 242
Roads : Kerbs	167 647	-	-	-	167 647	(34 032)	(8 382)	-	-	(42 414)	-	-	125 233
Roads : Side Drain	30 000	-	-	-	30 000	(5 988)	(1 500)	-	-	(7 488)	-	-	22 512
Roads Signs	574 412	-	-	-	574 412	(114 704)	(28 726)	-	-	(143 430)	-	-	430 982
Roads : Traffic lights	235 294	-	-	-	235 294	(47 069)	(11 765)	-	-	(58 834)	-	-	176 460
Markings	129 705	-	-	-	129 705	(25 924)	(6 481)	-	-	(32 405)	-	-	97 300
Sewerage Mains & Purification	86 692 680	4 901 685	-	-	91 594 365	(14 108 823)	(3 792 819)	-	-	(17 901 642)	-	-	73 692 723
Electricity Mains	168 728 576	8 153 348	-	-	176 881 923	(31 287 340)	(8 457 390)	-	-	(39 744 731)	-	-	137 137 193
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	376 194 768	14 093 328	-	-	390 288 095	(69 174 396)	(17 301 030)	-	-	(86 475 426)	-	-	303 812 669
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Under construction	647 094	-	-	-	647 094	-	-	-	-	-	-	-	647 094
	1 038 985 329	31 653 652	-	-	1 070 638 980	(190 273 463)	(48 476 123)	-	-	(238 749 585)	-	-	831 889 395
Community Assets													
Parks & Gardens	554 566	-	-	-	554 566	(285 533)	(8 618)	-	-	(294 151)	-	-	260 415
Libraries	6 909 467	-	-	-	6 909 467	(483 101)	(31 849)	-	-	(514 950)	-	-	6 394 517
Recreation Grounds	1 427 235	-	-	-	1 427 235	(798 234)	(38 635)	-	-	(836 869)	-	-	590 366
Civic Buildings	24 582 059	5 242 824	-	-	29 824 883	(7 167 089)	(1 143 452)	-	-	(6 027 663)	-	-	23 797 220
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
	33 473 327	5 242 824	-	-	38 716 151	(8 733 957)	(1 222 553)	-	-	(7 673 633)	-	-	31 042 518
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	77 000	-	-	77 000	-	(2 333)	-	-	(2 333)	-	-	74 667
	-	77 000	-	-	77 000	-	(2 333)	-	-	(2 333)	-	-	74 667
Total carried forward	1 152 729 784	127 521 997	-	-	1 280 174 780	(207 415 413)	(51 517 014)	-	-	(256 649 549)	-	-	1 023 525 232

LEPHALALE LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	1 152 729 784	127 521 997	-	-	1 280 174 780	(207 415 413)	(51 517 014)	-	-	(256 649 549)	-	-	1 023 525 232
Other Assets													
Office Equipment	7 176 489	410 514	(83 168)	-	7 503 835	(2 411 086)	(621 644)	55 721	-	(2 100 445)	-	-	5 403 390
Furniture & Fittings	6 134 545	300 155	(54 135)	-	6 380 566	(2 675 777)	(6 649 747)	30 205	-	(2 198 884)	-	-	4 181 682
Bins and Containers	850 200	1 570	(209)	-	851 561	(56 893)	(45 799)	193	-	(102 500)	-	-	749 061
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	36 870 073	6 773 299	(334 727)	-	39 895 744	(17 541 631)	(2 958 372)	301 254	-	(20 198 748)	-	-	19 696 996
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	5 502 279	578 559	(409 838)	-	5 671 000	(3 093 818)	(469 530)	329 055	-	(3 234 293)	-	-	2 436 707
Computer Software (part of computer equipment)	234 363	118 060	-	-	352 423	(39 867)	(21 306)	-	-	(61 173)	-	-	291 250
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	56 767 949	8 182 157	(882 077)	-	60 655 129	(25 819 072)	(10 766 397)	716 427	-	(27 896 042)	-	-	32 759 087
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1 209 497 733	135 704 154	(882 077)	-	1 340 829 909	(233 234 485)	(62 283 411)	716 427	-	(284 545 591)	-	-	1 056 284 319

LEPHALALE LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	74 718 220		-		74 718 220	(5 466 602)	(417 649)		-	(5 884 251)	-	-	68 833 969
Landfill Sites	166 029	245 944	-	-	411 973	(52 577)	(5 842)	-	-	(58 419)	-	-	353 554
Quarries		-	-	-	-		-	-	-	-	-	-	-
	74 884 249	245 944	-	-	75 130 193	(5 519 179)	(423 491)	-	-	(5 942 670)	-	-	69 187 523
Buildings	5 140 936	-	-	-	5 140 936	(2 298 874)	(166 450)	-	-	(2 465 323)	-	-	2 675 613
Infrastructure													
Drainage	6 761 765	-	-	-	6 761 765	(1 014 387)	(338 088)	-	-	(1 352 475)	-	-	5 409 290
Roads	380 127 821	18 627 273	-	-	398 755 094	(55 582 546)	(18 526 527)	-	-	(74 109 074)	-	-	324 646 020
Roads :Culvert	68 294				68 294	(10 224)	(3 414)			(13 638)			54 656
Roads : Kerbs	167 647				167 647	(25 650)	(8 382)			(34 032)			133 615
Roads : Side Drain	30 000				30 000	(4 488)	(1 500)			(5 988)			24 012
Roads Signs	574 412				574 412	(85 983)	(28 721)			(114 704)			459 708
Roads : Traffic lights	235 294				235 294	(35 304)	(11 765)			(47 069)			188 225
Markings	129 705				129 705	(19 443)	(6 481)			(25 924)			103 781
Sewerage Mains & Purification	76 275 227	10 417 453	-	-	86 692 680	(10 316 004)	(3 792 819)	-	-	(14 108 823)	-	-	72 583 857
Electricity	160 134 548	8 594 028	-	-	168 728 576	(20 378 368)	(10 908 972)	-	-	(31 287 340)	-	-	137 441 236
Electricity Peak Load Equip		-	-	-	-		-	-	-	-	-	-	-
Water Mains & Purification		-	-	-	-		-	-	-	-	-	-	-
Water	314 101 016	62 093 752	-	-	376 194 768	(46 150 248)	(23 024 148)	-	-	(69 174 396)	-	-	307 020 372
Water Meters		-	-	-	-		-	-	-	-	-	-	-
Storm Water		-	-	-	-		-	-	-	-	-	-	-
Under construction	-	647 094			647 094					-			647 094
	938 605 729	100 379 599	-	-	1 038 985 329	(133 622 645)	(56 650 816)	-	-	(190 273 463)	-	-	848 711 866
Community Assets													
Parks & Gardens	554 566	-	-	-	554 566	(276 915)	(8 618)	-	-	(285 533)	-	-	269 033
Libraries	6 909 467	-	-	-	6 909 467	(451 253)	(31 849)	-	-	(483 101)	-	-	6 426 366
Recreation Grounds	1 427 235	-	-	-	1 427 235	(759 599)	(38 635)	-	-	(798 234)	-	-	629 001
Civic Buildings	17 394 624	7 187 435	-	-	24 582 059	(6 604 616)	(562 473)	-	-	(7 167 089)	-	-	17 414 970
Stadiums		-	-	-	-		-	-	-	-	-	-	-
Halls		-	-	-	-		-	-	-	-	-	-	-
Theatre		-	-	-	-		-	-	-	-	-	-	-
Swimming Pools		-	-	-	-		-	-	-	-	-	-	-
Cemeteries		-	-	-	-		-	-	-	-	-	-	-
	26 285 892	7 187 435	-	-	33 473 327	(8 092 383)	(641 575)	-	-	(8 733 957)	-	-	24 739 370
Heritage Assets													
Historical Buildings		-	-	-	-		-	-	-	-	-	-	-
Paintings & Artifacts		-	-	-	-		-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	1 044 916 805	107 812 978	-	-	1 152 729 784	(149 533 081)	(57 882 332)	-	-	(207 415 413)	-	-	945 314 372

LEPHALALE LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	1 044 916 805	107 812 978	-	-	1 152 729 784	(149 533 081)	(57 882 332)	-	-	(207 415 413)	-	-	945 314 372
Other Assets													
Office Equipment	3 240 493	3 935 996	-	-	7 176 489	(2 089 271)	(321 815)	-	-	(2 411 086)	-	-	4 765 403
Furniture & Fittings	4 804 725	1 329 820	-	-	6 134 545	(2 296 455)	(379 322)	-	-	(2 675 777)	-	-	3 458 768
Bins and Containers	416 561	433 639	-	-	850 200	(25 935)	(30 958)	-	-	(56 893)	-	-	793 307
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	28 515 603	8 354 470	-	-	36 870 073	(14 868 485)	(2 673 146)	-	-	(17 541 631)	-	-	19 328 442
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	4 674 705	827 574	-	-	5 502 279	(2 486 258)	(607 560)	-	-	(3 093 818)	-	-	2 408 461
Computer Software (part of computer equipment)	234 363	-	-	-	234 363	(10 572)	(29 295)	-	-	(39 867)	-	-	194 496
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	41 886 450	14 881 498	-	-	56 767 949	(21 776 976)	(4 042 096)	-	-	(25 819 072)	-	-	30 948 877
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1 086 803 255	122 694 476	-	-	1 209 497 733	(171 310 058)	(61 924 428)	-	-	(233 234 485)	-	-	976 263 249

LEPHALALE LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2013

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive & Council										
Finance & Admin										
Planning & Development										
Health										
Community & Social Services										
Public Safety										
Sport & Recreation										
Environmental Protection										
Waste Management										
Road Transport										
Water										
Electricity										
Other										
Total	-	-	-	-	-	-	-	-	-	-

LEPHALALE LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2013

2012			2013		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
45 135 921	27 077 919	19 469 101	54 252 677	51 370 539	2 882 138
1 602 845	13 315 551	(11 712 706)	1 237 088	22 529 504	(21 292 416)
485 266	4 608 370	(4 123 104)	672 948	4 336 239	(3 663 291)
-	-	-			-
7 757 222	21 800 753	(14 043 531)	16 930 799	29 030 887	(12 100 088)
-	849 946	(849 946)		393 136	(393 136)
-	531 515	(531 515)			-
-	2 167 341	(2 167 341)			-
15 903 469	13 797 611	2 105 858	18 456 637	11 371 589	7 085 048
22 211 053	9 639 575	12 571 478	24 123 358	14 098 471	10 024 887
8 211 220	32 547 130	(24 335 910)	13 784 208	30 209 652	(16 425 444)
54 635 904	46 434 283	8 201 621	63 904 703	47 181 346	16 723 357
94 181 632	65 148 287	29 033 345	130 619 669	84 229 150	46 390 519
1 649 741	20 070 261	(18 420 520)	885 239	6 532 079	(5 646 840)
251 774 273	257 988 542	(6 214 269)	324 867 326	301 282 592	23 584 734
251 774 273	257 988 542	(6 214 269)	324 867 326	301 282 592	23 584 734

Less: Inter-Department Charges
Total

LEPHALALE LOCAL MUNICIPALITY
APPENDIX E
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
as at 30 June 2012

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By-law)	Final Budget	Actual Income	Unauthorised Expenditure	Variance	Actual Income As % Of Final Budget	Actual Outcome As % Of Original Budget
	1	2	3	4	5	6	7	8	9
	R	R	R	R	R	R	R	R	R
Financial Performance									
Property Rates	22 627 000	32 407 000		32 407 000	27 124 068		5 282 932	83.70%	119.87%
Service Charges	102 459 000	123 640 000		123 640 000	146 233 262		-22 593 262	118.27%	142.72%
Investment Revenue	3 801 000	5 201 000		5 201 000	8 982 105		-3 781 105	172.70%	236.31%
Transfers Recognised - Operational	84 995 182	84 995 182		84 995 182	84 181 714		813 468	99.04%	99.04%
Other Own Revenue	53 240 000	109 159 103		109 159 103	18 973 167		90 185 936	17.38%	35.64%
Total Revenue (Excluding Capital Transfers & Contributions)	267 122 182	355 402 285	0	355 402 285	285 494 317	0	69 907 968	491.10%	633.59%
Employee Costs	93 267 000	92 494 000		92 494 000	90 958 322		1 535 678	98.34%	97.52%
Remuneration Of Councillors	6 844 000	7 325 000		7 325 000	5 854 760		1 470 240	79.93%	85.55%
Debt Impairment	2 500 000	2 500 000		2 500 000	6 762 358		-4 262 358	270.49%	270.49%
Depreciation & Asset Impairment	8 130 000	52 857 000		52 857 000	53 573 811		-716 811	101.36%	658.96%
Finance Charges	8 665 000	3 561 000		3 561 000	4 546 806		-985 806	127.68%	52.47%
Materials & Bulk Purchases	61 207 000	75 131 000		75 131 000	77 003 006		-1 872 006	102.49%	125.81%
Transfers & Grants	1 123 000	100 000		100 000	1 018 544		-918 544	1018.54%	90.70%
Other Expenditures	125 908 182	191 295 285		191 295 285	61 564 982		129 730 303	32.18%	48.90%
Total Expenditure	307 644 182	425 263 285	0	425 263 285	301 282 589	0	123 980 696	1831.02%	1430.41%
Surplus/(Deficit)	-40 522 000	-69 861 000	0	-69 861 000	-15 788 272	0	-54 072 728	-1339.93%	-796.82%
Transfers Recognised - Capital	40 528 000	69 867 000		69 867 000	43 474 048		26 392 952	62.22%	107.27%
Contributions Recognised - Capital & Contributed Assets									
Surplus/(Deficit) After Capital Transfers & Contributions	6 000	6 000	0	6 000	27 685 776	0	-27 679 776	-1277.70%	-689.55%
Share Of Surplus/(Deficit) Of Associate									
Surplus/(Deficit For The Year)	6 000	6 000	0	6 000	27 685 776	0	-27 679 776	-1277.70%	-689.55%
Capital Expenditure & Funds Sources									
Capital Expenditure									
Transfers Recognised - Capital	35 082 000	59 896 000		59 896 000	37 954 123		21 941 877	63.37%	108.19%
Public Contributions & Donations									
Borrowing									
Internally Generated Funds	20 496 000	59 506 000		59 506 000	32 721 594		26 784 406	54.99%	159.65%
Total Sources Of Capital Funds	55 578 000	119 402 000	0	119 402 000	70 675 717	0	48 726 283	118.36%	267.84%
Cash flows									
Net Cash From (Used) Operating	39 754 000	12 518 000		12 518 000	54 326 408		-41 808 408	433.99%	136.66%
Net Cash From (Used) Investing	55 578 000	119 402 000		119 402 000	70 675 717		48 726 283	59.19%	127.16%
Net Cash From (Used) Financing	0	2 435 000		2 435 000	2 435 483		-483	100.02%	#DIV/0!
Cash/Cash Equivalents At The Year End	95332000	134355000	0	134355000	127437608	0	6917392	5.931975607	#DIV/0!

RECONCILIATION IN THE NOTES TO THE FINANCIAL STATEMENTS

Reconciliation Of Budget Surplus/Deficit With The Surplus/Deficit In The Statement Of Financial Performance	
Net Surplus/Deficit Per The Statement Of Financial Performance	
Adjusted For:	
Fair Value Adjustments	
Impairments Recognised/Reversed	
Surplus/Deficit On The Sale Of Assets	
Increases/Decreases In Provisions	
List other relevant adjustments here	
Net Surplus/Deficit Per Approved Budget	